A lack of affordable housing is a pervasive problem in many Illinois communities. Finding creative ways to increase affordable housing can be a challenge. This Tool Kit is designed to provide basic strategies to jumpstart or breathe new life into a housing program in your community, and provide a ‘welcome home’ to deserving families.

**Illinois’ Largest Housing Challenge: Affordability**

In many Illinois communities, the high cost of homes make it difficult for police officers, firefighters, teachers, nurses and other essential workers to reside in the communities they work in. The higher costs of homes force working families to live far from jobs and limit the workers’ abilities to participate in both community and family life after their workdays end.

As home costs go up, the promise of a safe, decent home also becomes unattainable to many who form the foundation of our communities. Employers, in turn, lose the ability to attract and retain the workers necessary to grow their business. This can cause local economies to falter. As stated in the State of Illinois’ Comprehensive Affordable Housing Plan of 2006*, "An adequate supply of affordable housing is a key factor that companies consider when locating or expanding their business, and thus affordable housing gives Illinois a competitive advantage in attracting investment."

**Local Government Can Play an Important Role in Housing Affordability**

For the most part, housing policies have been the domain of the federal and state governments. However, addressing the insufficient supply of affordable housing is a challenge that municipal governments should take on in order to build stronger communities.

Housing challenges and solutions can vary significantly from place to place. What works in one locality may not work in another. Each community needs to develop housing strategies tailored to fit its specific needs.

The Illinois Association of REALTORS® along with your local Association of REALTORS® hope that you find this Tool Kit helpful in developing those strategies.

**How Do Communities Develop Effective Affordable Housing Programs?**

Here are a few STRATEGIES that have been successful in municipalities throughout the country and in Illinois.

- Creating a Homebuyer Assistance Program
- Evaluating Existing Barriers to Home Ownership and Development
- Finding Revenue Sources for Housing Programs
- Developing Incentives for the Production of New Affordable Homes

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* To learn more about the Housing Affordability and Appeal Act, visit www.ilhda.org
CREATING A HOMEBUYER ASSISTANCE PROGRAM

Several municipalities in Illinois have created their own homebuyer assistance programs that serve the needs of low and moderate income families through the resources of the State, local lenders, and the municipality. Since 2001, over 50 municipalities have collaborated with Illinois Housing Development Authority (IHDA), in designing and offering homeownership opportunities to their residents. Home rule municipalities may ‘cede’ all or a portion of their tax-exempt private activity bond cap to IHDA for the creation of a customized program for their community. The program can help first-time homebuyers purchase a home and enjoy all the benefits that homeownership brings. It can be tailored to address any specific population or concern for the community such as: offering
Below market rate mortgages
Closing cost and down payment assistance
Discounted Private Mortgage Insurance/Mortgage Payment Protection Plans
1. Loan Certificates that provide credit to federal income tax that can be forgiven by the borrower as an increase on the paycheck or a tax return

For information from IHDA on this partnership, contact Roger Merrell, Director of Business and Product Development at 312-956-3230 or to learn more about the Authority visit www.ihda.org. Municipalities can also access state and federal subsidy programs to help assist homebuyers. See www.ihda.org, and click on ‘Home Ownership Programs’ for more information on how municipalities can apply for HOME Investment Partnership Programs.

Working in Partnership with Other Municipalities

The ASSIST Program, which is offered in several municipalities in Illinois, is a good example of how municipalities can work together to create a housing assistance program in their individual towns. With this program, several municipalities pooled their private activity bond volume and offered direct assistance to homebuyers. The ASSIST program offers a gift of 4.25 percent of the amount borrowed combined with a 30-year mortgage. To qualify, buyers need an income that is at 100% of the area median income or less. IHDA-administered programs can be combined with other private e.g. Federal Home Loan Bank or governmental (e.g. County Development Agencies) funding sources to expand the eligibility/assistance or add additional features to the program.

requirements to name a few. Regulations such as these provide little option for creative owners or property developers to provide housing for those who make low to moderate income. We recommend adopting flexible zoning requirements that allow for mixed-use development and for a diverse housing stock.

Zoning Changes
Renovations that have taken place over time that have created "non-conforming" properties is an additional barrier that you may not have considered. In an effort to reduce overoccupancy or resolve parking issues some municipalities have "downzoned" individual lots or districts. While this approach on the surface seems to make sense the municipality is actually diminishing the housing supply for those that can least afford it. For example a property may have been legally converted from a single-family property to a two-unit, however if it is subsequently downzoned and now is classified as non-conforming and cannot be rebuilt if there is major property damage, often times you are displacing a family that cannot afford another option. Downzoning has also been used to bring the zoning classification down to what the current use is. In this instance you don’t have a non-conforming property, however you have removed opportunities for future use when the property becomes a redevelopment opportunity. Beyond the parameters to ensure true health and safety for residents and business owners, zoning should not put unnecessary limitations on land use.

Prohibited Uses

Some municipalities have outright prohibitions on residential uses such as manufactured housing and accessory dwelling units for example. Manufactured housing has been stigmatized by its history of being substandard, however building technology has come a long way on some of these units. In a publication prepared by the Center of Housing Policy, “Many of the higher-end manufactured homes are indistinguishable from manually-framed homes, yet cost thousands of dollars less to construct.” Some examples of limitations created by land use regulations include: setting lower cost opportunities for expanded family members, or limiting the ability for the property owner to collect extra income to pay his own mortgage. We recommend that zoning policies be reviewed to make sure these options are available to property owners and developers.

Additional Requirements

Unreasonable design and landscape requirements also can severely impact the bottom line on housing development. While minimum standards to ensure quality of life for the resident and their neighbors make sense, a municipality must also consider that some requirements can have a significant impact on property prices. Examples could be requiring a brick and traditional style building or requiring sod instead of grass seed. The desire for every home to include higher end materials and amenities that do not increase product utility can limit the ability for many area workers to live in your community.

Land Development Approval Process

While it is important for a proposed to be properly vetted and reviewed, municipalities should take a close look at what steps in the approval process can be expedited or eliminated. In a typical municipality in Illinois, the process to get a proposed development approved is comprised of many steps, typically taking several months of meetings and reviews. All the while, the property owner is paying professionals such as attorneys, engineers, architects and other consultants to assist them in getting through the process, which in turn, affects the final sale price of the home to be purchased.

Density and Open Space Requirements

Low density and open space requirements for new development should only be approved after careful analysis of its housing impact. While large lots created by low density requirements meet certain quality of life goals they also decrease the number of units available and are expensive to maintain. In regards to open space, requiring large tracts of land to remain undeveloped result in diminished opportunity to provide housing. We understand that open, vistas and beautiful views have value, however those benefits have to be balanced with the need for more attainable housing in your community.

Development Fees

Even if a unit of government adds onto the development of a home has substantial impact on the cost of housing within the community. While the mantra that “growth has to pay for itself” is valid, it is not uncommon for impact fees to be arbitrarily assessed and potentially quite regressive. The Center for Housing Policy states in its publication “…working families may be forced to bear more than their fair share of these costs.”

EVALUATING EXISTING BARRIERS TO HOME OWNERSHIP AND DEVELOPMENT

Often times, municipal leaders have tools available to them that they are unaware of that can facilitate an increase in housing opportunities. These “tools” are in fact the review, revocation, and possible repeal of regulatory policies that affect various types of housing development. Onerous zoning and other land use policies that may well intentioned can inhibit opportunities for housing for many people.

District Limitations

The concept of separating property types through districts was borne and from incompatible land-uses such as factories and housing being built near to each other and it was considered unhealthy. While there is logic to preventing housing near to an industrial site that uses poisonous chemicals it makes little sense to not allow for a duplex to be built next to a single-family. Residential district regulations that could cause this example could be stringent lot size requirements, minimum square footage requirements, or specific residential use


DEVELOPING INCENTIVES FOR THE PRODUCTION OF NEW AFFORDABLE HOMES

Public policy at the municipal level should increase its focus on the best way to spur production of residential units that are affordable to middle and lower income persons and families. While this can be done in a variety of ways we recommend an incentive-based approach that includes density bonuses, fee waivers, companion funding policies, creative use of TIF, and expedited permit and review policies. Some municipalities have entertained mandatorily approaches like a “set-aside,” however a community can run the risk of driving away residential development if certain margins are not achieved and the project is no longer feasible. In the long run, this translates into the diminished growth of the municipal tax base.

Municipal leaders should work with the development community on the best ways to incentivize new affordable homes.

There are several incentive-based approaches to developing newly constructed affordable homes that should be explored.

Density Bonuses
A municipality can allow the developer to develop a greater number of market rate units than would be permitted by right as long as the developer agrees to provide some number of affordable units. The developer’s general rule of thumb is that one additional market rate unit is needed for every four affordable units that are provided.

Waiver of Fees
Any fees that are tied to the development process should be considered for waiver on the affordable units. Permit fees, tax-in-fee, local impact fees, etc. should all be considered. In other words, if a developer agrees to provide three new affordable units in a new development, the fees related to the three affordable units should be waived.

Discounted City Land
If the City acquires land that is donated or sold at a lower price, that land can be sold to a developer at a discounted price in exchange for the construction of affordable units.

TIF Districts and Enterprise Zones
A municipality may create a Tax Increment Finance (TIF) district that can be a mix of commercial and residential uses. The municipality could require a set-aside of a specific number of affordable residential units for new development within the TIF. Enterprise zones are another tool that should be explored as a way to stimulate a neighborhood or incentive-in the creation of new affordable housing.

Expedited Permits and Review Policies
As mentioned in Strategy Two, many municipalities have time-consuming processes for obtaining building permits, zoning variances and other approvals. By adopting expedited permitting and review processes for developments that have affordable units, the cost of producing the affordable units is reduced and thereby serves as an incentive.

Goals and Measurements: Are the Incentives Working?
When an Affordable Housing Program is being created, it is very important to incorporate goals and measurable calculations which will help indicate whether the policy that’s been adopted is working and is effective.

The incentive-based approach can work. As an example, a soon-to-be-completed condominium project in north Arlington Heights (called Timber Court), twenty-one new, affordable condos will be available for purchase.

As you contemplate the challenges of creating mutually beneficial affordable housing program, it is our hope that you call us on for our experience and willingness to be part of the solution.